



Treasury Inspector General for Tax Administration

Telecommunication Projects Need Improved Contract Documentation and Management Oversight

Issued on March 5, 2007

Highlights

Highlights of Report Number: 2007-20-030 to the
Internal Revenue Service Chief Information Officer.

IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) did not always document consideration of the Treasury Communications System (TCS) contract and provide effective oversight for major telecommunication investments. As a result, telecommunication projects may not have ensured the most efficient use of resources on behalf of the American taxpayer.

WHY TIGTA DID THE AUDIT

The TCS program was established to provide the Department of the Treasury and its bureaus with a centralized network and management system to support its customers' missions by providing a wide range of data communications services through a single contract vehicle. IRS policies and procedures specify that the TCS contract be the first choice for data communications. The Department of the Treasury also requires a separate (internal) Capital Asset Plan and Business Case, commonly referred to as an Exhibit 300, for any telecommunication infrastructure initiative for which the annual investment exceeds \$5 million or the total life cycle cost exceeds \$50 million, to enable improved transparency for its investments and enhance accountability.

TIGTA conducted a review to determine whether the IRS ensures telecommunication services acquired outside of the TCS contract are cost effective and do not duplicate services offered through the TCS contract.

WHAT TIGTA FOUND

The TCS contract was not considered during the acquisition process for the Enterprise Remote Access Project, which provides secure remote network access for IRS employees and contractors. Although the TCS contract offers a solution to provide secure remote network access to employees, project documentation did not show that it was one of

the contracting vehicles considered for the Enterprise Remote Access Project.

The IRS did not identify the Enterprise Remote Access Project as a major information technology investment and prepare an internal Exhibit 300, although the Project meets the cost thresholds for a major information technology investment. Specifically, the IRS spent nearly \$18.7 million during Fiscal Years 2004 through 2006, and another \$10.6 million is budgeted in Fiscal Year 2007. The IRS also did not identify the Enterprise Remote Access Project expenditures as development and/or enhancement costs on the Telecommunications Infrastructure Exhibit 300, although the goal of the Project was to develop a remote access solution that would replace all current solutions and expand remote access availability.

As a result, a major investment in telecommunication services may not have been completed in the most cost-effective manner to ensure efficient use of resources.

WHAT TIGTA RECOMMENDED

The Chief Information Officer should (1) ensure project documentation supports consideration of the Department of the Treasury contracts during the procurement process when comparing alternative solutions for telecommunication services and (2) analyze all information technology investments included in the Telecommunications Infrastructure Exhibit 300 to identify projects under development that should be classified as major information technology investments requiring increased executive oversight and preparation of internal Exhibit 300s.

In their response to the report, IRS officials agreed with all of our recommendations. The Chief Information Officer will communicate to the Enterprise Networks organization the importance of following the enterprise life cycle project process. The Capital Planning and Investment Control organization will provide training and guidance to Enterprise Networks organization Project managers and executives to ensure compliance with existing Department of the Treasury guidance that requires infrastructure projects in the development, modernization, and enhancement phase of the life cycle to develop internal Exhibit 300s if they meet the criteria for a major project. In addition, the Capital Planning and Investment Control organization will review all projects in the Telecommunications Infrastructure Exhibit 300 to ensure proper classification.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2007reports/200720030fr.pdf>.